



## **Evaluation Guide - LIHTC Review Process City of Glendale, AZ**

The federal low-income housing tax credit program was established by the Tax Reform Act of 1986, codified in Section 42 of the Internal Revenue Code of 1986, as amended, to encourage construction and rehabilitation of low-income rental housing. The Arizona Department of Housing is the housing credit agency responsible for allocating LIHTC to owners of qualifying residential rental projects. Specifically, it is a financing tool that can be used by prospective developers to offset the costs of developing low-income rental housing.

As a part of the application process, all prospective low income housing tax credit applicants must receive the "approval" of the local jurisdiction in which the proposed credits will be issued. What follows is the scoring criteria and methodology used by the City of Glendale.

There are 25 points possible. The percentage of total points received will be determined using this number as the total.

The scale below shows how projects with a certain level of points relative to the total possible should be ranked for level of support.

<b>Support Level</b>	<b>Percentage of Points Possible</b>
<b>Strong Support</b>	<b>90% to 100%</b>
<b>Moderate Support</b>	<b>76% to 89%</b>
<b>Some Support</b>	<b>60% to 75%</b>
<b>No Support</b>	<b>0% to 59%</b>

It is important to note that these criteria provide guidance only in determining whether or not the city should support a proposed project. The ultimate intent of these criteria is to consider collectively all relevant, evaluation variables to achieve as much reasonableness in the decision-making process as possible. They should not be regarded as an absolute measure for the support of a project.

### **A. General Project Information**

#### **1. Revitalization (2.5 pts.)**

- Will the project contribute to or detract from the revitalization of the impacted area?
- Will the project occur in a redevelopment area or the City's infill incentive district?

#### **2. Special Need (1 pt.)**

- Does the proposed project have or anticipate a preference for a specific type of multifamily housing, i.e., for seniors, the disabled and/or any others?

3. Housing (2.5 pts.)

- A housing “need” in the community at large is evident upon a determination that there are more households than housing units for a specific income group in Glendale. For example: 25 Households making 50% of median income relative to 10 housing units affordable to this income group in Glendale translates into a need for at least 15 new housing units.
- Describe how the project will assist low-income persons, minorities and/or families.
- Future considerations here consist of evaluating the number of set-asides and alternative locations for projects assisting low-income family households.

4. Consolidated Plan (1 pts.)

- Explain how the proposed project is consistent with the City’s current Consolidated Plan.

5. Council Support (2 pts.)

- The applicant is asked to detail the steps taken to gain support (including any written statements) by the appropriate City Council Member.
- This factor can override all other evaluation criteria to support or not support the project.

6. Economic Development (1 pt. bonus)

- Does the project contribute to existing or anticipated economic development opportunities and/or strategies?

**B. Market Potential**

New Residual Demand and average vacancy rates are factors that should be evaluated to determine the overall demand for a project. New Residential Demand is the number of potential renter households in, or expected to be in the market area after accounting for full absorption of vacant units and units in the development “pipeline.” For ease of analysis, New Residual Demand is separated into two components – Current and Projected Residual Demand. These factors, along with average vacancy rates should be considered as outlined below.

7. Current Residual Demand (1 pt.)

Current Residual Demand amounts to the number of potential renter households presently residing in the market area that are experiencing cost burden; and/or living in substandard housing; and/or overcrowded housing, after accounting for full absorption of comparable vacant units and units already in the development “pipeline.” **Note:** For senior projects, seniors living with relatives and 10% of senior owners can be considered in the calculation of current residual demand.

***Example***

50 (25 cost burdened households + 25 households in substandard housing)
<20> (10 vacant units + 10 pipeline units)
30 = Current Residual Demand

Point(s) of Analysis:

*Current Residual Demand* is important for a number of reasons. First of all, it shows actual demand as opposed to projected demand. Also, because it revolves around households in need (those who are cost burdened or living in substandard conditions), it allows for the potential treatment of an actual community problem. One point should be accorded for this area if there is any current residual demand, regardless if the level is below the number of units intended for the proposed project.

8. Projected Residual Demand (1 pt.)

Projected Residual Demand amounts to the number of potential renter households expected to be in the market area upon completion of the proposed project. To determine Projected Residual Demand, the developer must reduce the number of projected, potential renter households by the amount of all vacant comparable units within the market area, plus comparable "pipeline" units expected to be built in the area by the scheduled opening time of the proposed project.

If there are no current vacancies or any pipeline units in the works, then Projected Residual Demand will equal the actual number of new households expected to be in the market area when the proposed project opens.

***Example:***

50 (projected renter households) <20> (10 existing vacancies + 10 pipeline units) 30 = Projected Residual Demand
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Point(s) of Analysis:

*Projected Residual Demand* is an important element of market potential, but somewhat tenuous when it exists in the absence of Community Housing Need (as described criterion #1) and, when there is no current residual demand in the area. Nonetheless, it is a factor of demand. One point should be accorded for any projected residual demand, regardless if the level is below the number of units intended for the proposed project.

9. Total, New Residual Demand (1.5 pts.)

The sum of current and projected residual demand equals total, new residual demand.

Point(s) of Analysis:

It is not a given that the sum of current and projected residual demand will match or exceed the number of units expected to be built with the proposed project. Therefore, the points associated with this factor should be accorded only when current and projected residual demand, together, either matches or exceeds the number of units that will be built with the proposed project.

10. Overall Demand for Housing: Vacancy Rate Standard (1.5 pts.)

Demand should also be evaluated on the basis of interest expressed by existing consumers (households), since other factors of demand (**price and income**) have been accounted for by the relevant program subsidy, i.e., tax credits, multifamily bonds, Section 202 Senior Housing, etc. To measure interest, evaluations should consider the allowable average vacancy threshold (7%) among existing, comparable projects within the proposed area, with attention given to the following.

- Evaluate average vacancy rate among all multifamily rentals in the area with rental rates that are comparable to those of the proposed project.
- Evaluate average vacancy rate among all like multifamily projects, i.e., other tax credit and senior projects, etc.

Point(s) of Analysis:

- *Low Average Vacancy Rates (7% or below)* are essential to justifying market potential, because as a measure, it is the most robust indicator of interest. Points should be accorded for satisfaction of the 7% threshold among comparable prosperities.
- *High Average Vacancy Rates (above 7%)* strongly indicates a lack of market potential, even in the context of some evidence for all types of residual demand. In other words, there may be a sufficient amount of potential renters for the proposed project, but they may not be interested in the type of housing proposed relative to product type, location or other factors relating to taste.

*Satisfaction of all these criteria is an indicator of strong demand, particularly if current residual demand equals or exceeds the number of housing units proposed and there is also evidence of projected residual demand.*

**C. Community Impact**

11. Previous Performance (1 pt.)

- Evaluate compliance record with applicable jurisdiction
- Evaluate financial status as determined by applicable jurisdiction
- Evaluate demand of other projects in applicable market areas
- Evaluate for any fair housing claims

12. Adequate Amenities (1 pt.)

- This factor should consider adequacy of transportation, parks, shopping, schools, etc.

13. Conformance with City Plans (2 pts.)

- Zoning/Development Standards/Building Safety Code
- General Plan

14. Schools & Neighborhood – (3 pts.)

- School Officials – detail steps taken to seek review by impacted school district (1 pt.). Senior projects are exempted.
- Neighborhood – detail steps taken to seek neighborhood input and/or state any opposition (2 pts.)

15. Financial Information – (1 pt)

- Attach project budget and identify all sources of revenue to be used for the project.